

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02 CIEP-01

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC PRIORITY 4534

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E. O. 11652: N/A

TAGS: EFIN MX

SUBJECT: PRESS COVERAGE OF PESO PARITY

1. SUMMARY. GOM CONTINUES TO CONDUCT ACTIVE PRESS CAMPAIGN AIMED AT SCOTCHING DEVALUATION RUMORS. AT ITEM DATED APRIL 27, CITES UNNAMED GOM OFFICIAL AS STATING THAT GOM HAS TAKEN POLITICAL DECISION NOT REPEAT NOT TO DEVALUE PESO. HE ADDS THAT OIL IS UNDERPINNING OF MEXICAN ECONOMY AND THAT OIL EXPORTS COULD BE DOUBLED OVERNIGHT. CHAMBER OF COMMERCE LEADER CHARGED THERE WAS AN INTERNATIONAL CONSPIRACY OF COMMUNIST TYPE AGAINST THE MEXICAN ECONOMY. APRIL 29 NEWSPAPERS GAVE HEADLINES TO FINANCE SECRETARY BETETA'S MEETING WITH FOREIGN CORRESPONDENTS. BETETA SAID IT WAS NEITHER NECESSARY NOR DESIRABLE TO DEVALUE PESO, NOR WOULD EXCHANGE CONTROLS BE IMPOSED. END SUMMARY.

2. AP ARTICLE QUOTES EXTENSIVELY FROM INTERVIEW WITH UNNAMED GOM OFFICIAL WHO SAYS PRESIDENT AND FINANCE MINISTER HAVE REJECTED IMMINENT DEVALUATION. OFFICIAL SAID THE 12.5 EXCHANGE RATE IS SUPPORTED BY A POLITICAL
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DECISION NOT TO DEVALUE AND BY PETROLEUM. OIL PRODUCTION,

HE SAYS CAN BE INCREASED AS THE ECONOMY REQUIRES, ADDING THAT OIL EXPORTS CAN BE DOUBLED OVERNIGHT. AMONG REASONS NOT TO DEVALUE STORY CITES ARE LARGER FOREIGN DEBT (IN TERMS OF PESOS), HIGHER COSTS FOR IMPORTED MACHINERY, SLOWDOWN IN LOCAL AND FOREIGN INVESTMENT, SOCIAL IRRITATION THAT COULD LEAD TO LOWER PURCHASES AND RISK OF RECESSION, AND AN INFLATIONARY SPIRAL. OFFICIAL SAID THAT GOM PETROLEUM POLICY IS TO SAFEGUARD ITS NATURAL RESOURCES, BUT IF THE STABILITY OF THE COUNTRY IS ENDANGERED, THESE RESOURCES CAN BE USED. WE LEARNED ON CONFIDENTIAL BASIS THAT UNNAMED OFFICIAL WAS UNDER-SECRETARY OF PRESIDENCY.

3. PRESIDENT OF MEXICAN CHAMBER OF COMMERCE, SANCHEZ MEJORADA, SAID THAT THERE APPEARED TO BE AN INTERNATIONAL CONSPIRACY AGAINST THE MEXICAN ECONOMY, CITING NUMEROUS ARTICLES SUGGESTING THAT PESO IS NOT STABLE. WHEN ASKED WHO ARE THE AUTHORS OF THIS CONSPIRACY, SANCHEZ RESPONDED THAT IT SEEMED TO BE OF A COMMUNIST TYPE SINCE A CRISIS IN MEXICO WOULD RESULT IN SERIOUS PROBLEM FOR THE U.S. THE INTERVIEWER THEN REFERRED TO STORIES OF CIA INSTIGATED PLOTS AGAINST MEXICO TO WHICH SANCHEZ RESPONDED THAT THE CIA IS BLAMED FOR EVERYTHING INCLUDING INGROWN TOENAILS.

4. FINANCE SECRETARY BETETA SPENT TWO HOURS WITH FOREIGN CORRESPONDENTS ON APRIL 28. BETETA SAID THERE WAS NO REASON TO DEVALUE PESO, CITING THE \$3 BILLION OF PRIMARY AND SECONDARY RESERVES OF BANK OF MEXICO TO COPE WITH DEMAND FOR DOLLARS. HE IMPLIED THESE WERE RESERVES BANK OF MEXICO HAD, BUT DID NOT GIVE A CURRENT FIGURE. ALSO, HE CITED SOLID BASE OF MEXICAN ECONOMY AND A BALANCE OF PAYMENTS SITUATION LESS SERIOUS THAN THAT OF MANY OTHER COUNTRIES. WHILE MENTIONING UTRNAROUND IN PETROLEUM SITUATION OVER PAST TWO YEARS, HE DID NOT ADD TO COMMENTS MADE TO AP BY GOM SPOKESMAN ON OIL, BETETA DID RESPOND TO QUERY ON USE OF WORD "IMMINENT" IN AP STORY, SAYING THIS IMPLIED NO DEVALUATION IN THE FORSEEABLE FUTURE. HE ADDED THAT NOBODY COULD SAY THERE WOULD BE NO DEVALUATION FOR CENTURIES AND CENTURIES. IN RESPONSE TO QUERY AS TO WHETHER WORLD BANK WAS PRESSING FOR A DEVALUATION, BETETA SAID MEXICO WOULD NOT PERMIT LIMITED OFFICIAL USE

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ANY INSTITUTIONAL PRESSURE TO TAKE MEASURES THAT ARE WITHIN ITS SOVEREIGN RIGHT TO DETERMINE. HE ALSO DENIED THAT WORLD BANK WAS PRESSURING FOR A DEVALUATION, BUT RATHER THAT BANK AND GOM WORKED TOGETHER IN PREPARING THEIR ANNUAL SURVEYS OF MEXICAN ECONOMY. BETETA ALSO REJECTED EXCHANGE CONTROLS SAYING THEY ARE DIFFICULT TO MANAGE AND INEFFECTIVE AS THEY LEAD TO BLACK MARKETS.

5. COMMENT. GOM IS OBVIOUSLY TRYING TO REBUT FOR BOTH DOMESTIC AND FOREIGN CONSUMPTION, U.S. PRESS ARTICLES FORESEEING A DEVALUATION. MOST INTERESTING ASPECT OF AP STORY IS REFERENCE TO OIL WHICH INDICATES THAT MEXICO COULD EXPORT LARGER QUANTITIES OF CRUDE THAN IT IS, AND THAT CURRENT CRISIS MAY FORCE THEM TO DO SO. SANCHEZ MEJORADA COMMENTS ARE REFRESHING IN THAT HE ADOPTS GOVERNMENT LINE OF A CONSPIRACY WITH A NEW TWIST, THAT IS, IT IS A COMMUNIST RATHER THAN U.S. CONSPIRACY. BETETA SAID SEVERAL TIMES THAT FIGURES ON MEXICAN ECONOMY ARE FREELY AVAILABLE TO ALL, BUT EVADED GIVING OUT DATA ON CURRENT STATE OF RESERVES AND FOREIGN DEBT. WHILE OFFICIAL QUOTED IN AP STORY SAID HE WAS ON COMMITTEE TO INVESTIGATE SOURCES OF FOREIGN PRESS CAMPAIGN AGAINST PESO, BETETA PROFESSED IGNORANCE AS TO WHYS AND WHEREFORES OF FOREIGN PRESS STORIES WHICH HE ATTRIBUTED TO THIRD AND FOURTH RANKING ECONOMISTS.

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